

national currency associations, which were to pass upon the applications of their members for notes and to support each other by a mutual guarantee. The security for the notes in such cases might be "any securities, including commercial paper," but notes could not be based on commercial paper to a greater extent than thirty per cent, of the capital and surplus of the issuing bank.¹ The term, "any securities/¹ left the door open for the acceptance of railroad bonds or any other bonds, stocks, or notes which might be approved by the officers of the currency association and the government. The issue of notes under these provisions was limited to seventy-five per cent, of cash value in the case of commercial paper, but was not limited to the par value of the securities, as in the case of the notes issued directly by the Treasury.

The machinery of national currency associations was set forth in some detail by the new law. They were to be formed originally by the voluntary action of national banks within a State, not less than ten in number, and with aggregate capital and surplus of not less than \$5,000,000. It was provided, however, that any national bank otherwise qualified might be admitted to its local currency association upon the approval of the Secretary of the Treasury, thus depriving the original members of power of discrimination against institutions they might consider undesirable.² The association, however, was left discretion in passing upon the commercial paper and other securities presented as security for new circulation, and might require the increase or substitution of the securities held. After approval by the asso-

¹ The maximum limit of issues on commercial paper by banks otherwise qualified was at the time of the passage of the Act about \$325,000,000; but this did not take account of the large number of banks whose issue would be restricted by the fact that existing issues under the old law failed to leave a margin of thirty per cent, of capital and surplus for the new issues. See *The New Banking Law* by the present writer, published by the New York Bankers' Publishing Co.

² This clause proved a serious deterrent to groups of banks disposed otherwise to organize under the law.